

2016/17



MKHONDO LOCAL MUNICIPALITY 2016/17 FINAL MTREF BUDGET

ANNUAL BUDGET REPORT - MP303

Municipal Budget Reporting Regulations (MBRR)



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PART 1 – ANNUAL BUDGET

1.1 EXECUTIVE MAYOR’S REPORT

Honourable Councillors, Officials and valuable members of our community, I welcome you all to this august Council seating on this day. It gives me great pleasure to present to council the 2016/2017 final annual budget and the outer subsequent years for Mkhondo local municipality.

The Municipality’s core business is enhancing service delivery for our communities. We are aware of the challenges being faced by our people. Despite the limited resources at the disposal of the municipality, this budget seeks to further entrench our mandate to deliver a better service to our communities.

One of the major challenges being faced by the municipality is the aging infrastructure, therefore, it becomes more critical that council is able to balance its finances in such a way that we are able to maintain the infrastructure and assets that we have to ensure continued service delivery which will benefit future generations. To this end, the budget allocation for repairs and maintenance for the 2016/17 financial year has been projected at R17.5 million.

The financial position of the municipality is still under pressure as what evident during the adjustment budget phase. Despite of these challenges, we are pleased to have put together a realistic budget under the circumstances. As the Council of Mkhondo Local Municipality, we are committed to improve the efficiency and implementation of good governance and sound financial management. In this regard, the 2016/2017 operating revenue amounts to a total of R395.9 million and the operating expenditure amounts to a total of R479.4 million. Included in the total operating expenditure is non-cash items of Depreciation and Debt impairment amounting to R75.1 million, leaving an operating surplus of R2.1 million which will contribute towards own funded capital budget . The grant funded capital budget amounts to R75.2 million which is MIG and INEP.

As mentioned during the approval of 2015/2016 Adjustment Budget, the needs of our communities far supersede our budget allocation. However council is very mindful of ensuring that our expenditure is in line with the approved Budget, while ensuring that we address the priority needs of our communities as identified in the IDP.

This annual budget will require the municipality to revise its service delivery and budget implementation plan as well as the annual performance targets for the 2016/2017 financial year. In preparation of 2016/2017 annual budget cognisant was taken of the forthcoming local government elections, which means all effort was made to ensure that this budget forms the basis of allocation of resources towards key progress of the municipality.

In conclusion, I would like to thank all the Honourable Councillors, the Municipal Manager, the Heads of Departments, all staff members and the community at large for their invaluable contributions in this budget. With those few words, I have pleasure in placing the 2016/2017 final annual budget for consideration and approval by Council.

I thank you

1.2 COUNCIL RESOLUTION

The Executive Mayor of Mkhondo Local Municipality will deliver his 2016/17 Final Annual Budget speech in Council Chamber by the 30 March 2016, for Council to approve 2016/17 Final Annual Budget 30 days before the start of the new financial year. The Council item will outline the following in terms of section 24 of the Municipal Financial Management Act;

- 2016/17 Final Budget Report
- 2016/17 Final Tariffs Schedule
- 2016/17 Reviewed Budget Related Policies

1.3 EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Mkhondo Local Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 79 was consulted to guide the compilation of the 2016/17 MTREF

The main challenges experienced during the compilation of the budget 2016/17 can be summarized as follows;

- The ongoing economic challenges in the national and local environment;
- Aging water, roads and electricity infrastructure;
- The increased cost of bulk electricity purchase (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents.
- Growing demand for formalization of townships and backlogs for providing sites which will in turn will require basic services from the municipality.
- Other costs of doing business including repairs and maintenance of fleet operations.

The following budget principles and guidelines directly informed the compilation of the 2016/17 MTREF:

- The 2015/16 Adjustment Budget priorities and targets, as well as the base line allocations were adopted as future growth and a top up developments into the upcoming 2016/17 annual budget;
- Mkhondo Municipality as one of the early adopting mSCOA project in the province, will be gearing itself for the preparation of 2016/17 SCOA compliant budget. These has been blessed

by the principals and in conjunction with the service provider on site to ensure smooth and seamless upgrade into SCOA by 01 July 2017;

- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of Bulk Water and Electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs and to curb distribution losses.

Recommendations and Comments from other stakeholders including provincial treasury in terms of section 22 of the MFMA on 2016/17 Final Budget were follows;

The Municipal Finance Management Act, (Act 56 of 2003), section 22 requires the Accounting Officer (Municipal Manager) to submit a final budget to, amongst others, the Provincial Treasury immediately after tabling the final budget in Council. In turn, the Provincial Treasury must provide views and comments on the final budget and any budget-related policies and documentation, which must then be considered by council when tabling the annual budget (Section 23). The final budget engagement with PT had the following comments and recommendations for the Municipality to take note;

- The projections of the Revenue Enhancement Collection strategy should be documented and ease for statistical reporting in terms of Debt book.
- Long-term Asset Renewal plan for Repairs and maintenance of infrastructure
- Forestry in terms of the progress on identifying biological assets and its value
- Budgeted repairs and maintenance should equate to 8% total operating expenditure in terms of the budget and reporting regulations.
- Debt impairment and depreciation be budgeted in full, however, in terms of MFMA Circular 55 paragraph 4.3, it says the municipality may have a deficit budget as long as that deficit does not exceeds the amounts provided for depreciation and debt impairment.
- Interest on overdue accounts be charged according to the municipality's debt and credit control policy which has been amended effectively to reflect that interest on overdue accounts be charged at prime rate plus 1%.
- Other revenue items such as traffic fines and rental of facilities had to be readjusted downwards to be more conservative on the revenue collection.

1.4 Operating Revenue Framework

Total operating revenue for 2016/17 financial year is R395.9million, when compared to the 2015/16 Adjustment Budget of R397.2million. For the two outer years, operational revenue has slight decrease by 1% per cent respectively, this is evident by the conservative approach to anticipated revenues.

Total operating expenditure for the 2016/17 financial year has been appropriated at R479.4million and it is translated into a budgeted surplus of R2.1million towards funding own capital contribution.

These surpluses will be used to fund own capital expenditure and to further ensure cash backing of reserves and funds.

The 2016/17 capital budget of R77.3million is fully funded through MIG towards water and sanitation projects. The national government calls for all municipalities to start generating substantial revenues to alleviate grant dependency on capital infrastructure as well as renewal of existing assets

1.4.1 Municipal Tariffs

1.4.1.1 Property Rates

Mkhondo municipality has implemented a current valuation roll and it has been updated effectively to be implemented as from 01 July 2017. The supplementary valuation has been submitted and objections were resolved with the property valuer. The new valuation roll has brought an upward change in revenue estimates as more properties are now included in the Property valuation roll to generate more revenue as well as to cover the cost of providing other general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No.67 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The 6.6 per cent property rate tariffs increase for 2016/17 financial year will see a revenue projection of R40.5million as compared to the R39million in 2015/16 adjustment. The reduction of R15 000 of the market value of the property as per Section 17(1)(h) of the MPRA is permitted to residential stands and Council add an extra R43 000 to it to bring the value to R58 000 which will be exempted from rates. Rebates for residential will be 20%

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2016/17 financial year based on a 6.6 per cent increase from 1 July 2016 is contained below:

Table1 - Comparison of proposed rates to levied for the 2016/17 financial year

Category	Current tariffs (2015/16)	Final tariffs (2016/17)
Residential	R0.008903	R 0.009491
Business/Industrial	R0.009227	R 0.009836
Agriculture	R0.002226	R 0.002373
State owned	R0.009227	R 0.009836
Psi	R0.002226	R 0.002373
Vacant	R0.016041	R 0.017100
Pbo	R0.002226	R 0.002373

1.4.1.2 Sale of Electricity and impact of tariffs increase

NERSA approved 7.64 per cent on the municipal electricity tariff for 2016/17 annual budget compilation. Mkhondo Local Municipality will be applying to NERSA an additional 3.5 per cent over and above the guideline threshold of 7.64 per cent. This will be in addition to measures in place to reduce the distribution losses both technical and non-technical energy losses. Once the approval is granted, the tariffs will be effective in the new financial billing starting on the 01st July 2016. Mkhondo Local Municipality has implemented the Inclining Block Tariffs (IBT) effective since from the 1st July 2015, thus far we have not experience any difficulties however, and rate of revenue has dropped posing a challenge on the current tariffs for IBT to be reviewed.

Table2 - Inclining Block Tariffs (IBT) – Residential

<u>Prepaid</u>	<u>(c/kwh)</u>	<u>Conventional</u>	<u>(c/kwh)</u>
Block1 (0 – 50kwh)	85.04	Block1 (0 – 50kwh)	77.50
Block2 (51 – 350kwh)	107.64	Block2 (51 – 350kwh)	100.11
Block3 (351 – 600kwh)	151.77	Block3 (351 – 600kwh)	144.24
Block4 (600kwh >)	178.68	Block4 (600kwh >)	172.22
Basic Charge	96.40	Basic Charge	96.40

Considering the Eskom increases, the consumer tariff had to be increased by 7.64 per cent to offset the additional ESKOM bulk purchase cost from 1 July 2016. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Mkhondo local municipality has an indigent register that is guided by the municipality's indigent policy however, more efforts will be envisaged to reach out to more deserving members of the community to register on the indigent subsidy. Indigent households will receive free basic electricity supply of up to 50KWh which is funded from the equitable share and that this allocation will continue in the 2016/17 financial year.

The tariff increase is divided into two categories mainly;

- Repair and Maintenance and other general goods and services - 6.6%
- Electricity Consumption KWh - 7.64% **(Non-residential – IBT only)**

1.4.1.3 Sales of Water and Impact of tariff increase

South Africa has faced one of the worst droughts in decades and a call for water preservations were a call to each and every south African to utilize water sparingly and the worst hit were agricultural sector and communities in terms of water supply. Some municipal areas were declared as disaster areas seeking water supply through tinkering services and other non-profit organizations offering a support. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansions;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

It is recommended that the registered owner of a property should bear the costs where a water meter measuring system is installed by Council. These costs will constitute the said measuring unit, general maintenance and installation expenses incurred by the Council in relation to the meter installation.

The approved water tariff for Mkhondo Local municipality for basic charge is R17.36 each month for every vacant stand excluding Council properties.

Table 3 - Comparison between current water charges and increases (Domestic)

Monthly Consumption kℓ	Current Amount Payable 2015/16	Final Amount Payable 2016/17	Difference (Increase)	Percentage Change
0 -6 (Free-FBW)	R3.67	R3.91	R0.24	6.6%
7 – 20	R4.56	R4.86	R0.30	6.6%
21 – 40	R6.45	R6.88	R0.43	6.6%
41 – 60	R8.53	R9.09	R0.56	6.6%
61 - above	R9.00	R9.59	R0.59	6.6%

The free basic water will be provided to all household per month as may be amended from time to time to a maximum of 6kℓ.

By-laws of the municipality shall be applicable to water supply tariffs including all the other water tariffs.

1.4.1.4 Sanitation and Impact of tariffs increase

Tariff increase of 6.6% for sanitation has been approved as from 01 July 2016. This is based on the cost assumptions related to water.

The following factors also contributed to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged
- Free sanitation of 6kℓ water will be applicable to registered indigents

Table 4 - Comparison between current sanitation charges and increases

Classification Monthly	Current Amount Payable	Final Amount Payable	Difference (Increase)	Percentage Change
Stand – 1 st toilet	R35.77	R38.13	R2.36	6.6%
Consecutive toilet	R33.42	R35.63	R2.21	6.6%
2 & 3 stands	R30.02	R32.00	R1.98	6.6%
Backwash pools	R18.59	R19.82	R1.23	6.6%
Sewerage sludge p/c/m	R12.55	R13.38	R0.83	6.6%

1.4.1.5 Refuse removal and Impact of tariffs increase

In respect of the refuse removal charges, Mkhondo Local Municipality approved 6.6% tariff on all categories of in terms of their classifications and waste bins.

Table 5 - Comparison between current Refuse removal charges and increases

Classification Monthly	Current Amount Payable	Final Amount Payable	Difference (Increase)	Percentage Change
Dwellings, flats, churches and hospitals : per	R48.61	R51.82	R3.21	6.6%
From all other premises, per user	R122.93	R131.04	R8.11	6.6%
If two users jointly make use of a bulk refuse container, per user	R255.86	R272.75	R16.89	6.6%
Bulk refuse container per individual user.	R515.87	R549.92	R34.05	6.6%
Additional Waste - Landfill site per Ton	R31.44	R33.52	R2.08	6.6%

1.5 Operating Expenditure Framework

Mkhondo Local Municipality's operating expenditure framework for the 2016/17 budget and MTREF is informed by the following:

- The employee related cost and other benefits have been reviewed as stipulated in the National Treasury circular guideline No.79 as well as repairs and maintenance;
- Funded budget model to ensure that approved budgets are fully funded and cash sustainable to achieve the priorities as set out in the IDP. Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the Integrated Development Plan of the municipality;
- Operational gains and efficiencies will be directed to funding the own capital budget and other core services; and

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- Strict adherence to the principle of *no project plans into approved IDP, no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2016/17 budget and MTREF (classified per main type of operating expenditure):

Table 6 - MP303 Mkhondo - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source											
Property rates	2	18,893	20,108	31,383	38,936	38,936	38,936	17,245	44,252	42,966	45,501
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	79,847	80,991	88,121	99,279	99,279	99,279	44,780	93,761	113,489	120,185
Service charges - water revenue	2	11,250	9,345	11,890	14,334	14,334	14,334	7,458	15,926	16,449	21,204
Service charges - sanitation revenue	2	5,649	5,742	6,945	7,389	7,389	7,389	3,643	8,454	8,448	10,358
Service charges - refuse revenue	2	6,738	7,095	7,774	8,205	8,205	8,205	4,264	9,235	9,401	11,875
Service charges - other	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	557	528	968	798	798	798	798	327	693	903	956
Interest earned - external investments	2,347	2,514	1,213	1,449	500	500	500	4,217	947	566	599
Interest earned - outstanding debtors	-	2,820	9,198	7,783	7,783	7,783	7,783	-	10,574	8,811	9,331
Dividends received	-	-	78	-	-	-	-	-	-	-	-
Fines	859	4,034	4,470	1,143	1,143	1,143	1,143	299	761	1,298	1,375
Licenses and permits	-	41	77	40	40	40	40	24	37	45	47
Agency services	2,511	7,589	9,177	6,795	6,795	6,795	6,795	5,098	6,458	7,692	8,146
Transfers recognised - operational	150,931	125,126	137,188	161,926	196,407	196,407	196,407	128,822	174,112	189,449	204,612
Other revenue	2	9,949	35,807	20,331	14,042	14,042	14,042	9,482	27,159	28,843	30,545
Gains on disposal of PPE	1,393	761	1	-	1,500	1,500	1,500	722	3,500	1,698	1,798
Total Revenue (excluding capital transfers and contributions)		290,923	302,500	328,817	362,118	397,150	397,150	226,381	395,871	430,059	466,534
Expenditure By Type	-										
Employee related costs	2	86,757	97,576	112,532	113,732	117,516	117,516	57,260	132,739	144,844	155,852
Remuneration of councillors		12,100	12,104	12,840	11,198	13,500	13,500	6,570	14,653	15,283	16,185
Debt impairment	3	1,917	22,992	28,038	28,699	28,699	28,699	17,373	30,313	30,479	32,278
Depreciation & asset impairment	2	71,498	72,540	70,686	73,058	73,058	73,058	36,293	75,080	77,332	79,652
Finance charges		1,184	4,068	7,528	446	249	249	3,140	266	282	299
Bulk purchases	2	63,268	86,151	82,866	93,915	93,915	93,915	37,934	110,194	127,223	136,943
Other materials	8	11,583	33,380	31,409	12,889	16,227	16,227	13,679	17,497	20,950	22,186

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Contracted services		32,635	35,011	36,362	28,161	29,463	29,463	20,356	27,002	34,061	36,309
Transfers and grants		3,466	3,876	6,480	12,835	12,835	12,835	2,290	12,728	9,715	7,943
Other expenditure	4, 5	35,753	29,537	44,883	48,241	58,193	58,193	15,012	58,964	70,658	75,322
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Expenditure		320,160	397,235	433,625	423,174	443,655	443,655	209,908	479,434	530,827	562,967
Surplus/(Deficit)		(29,237)	(94,734)	(104,808)	(61,056)	(46,505)	(46,505)	16,473	(83,563)	(100,768)	(96,433)
Transfers recognised - capital		41,908	93,629	86,376	81,885	201,072	201,072	121,238	75,166	83,732	89,395
Contributions recognised - capital	6	–	–	–	–	39,534	39,534	39,534	2,100	–	–
Contributed assets		–	–	5,045	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		12,671	(1,105)	(13,387)	20,829	194,100	194,100	177,245	(6,297)	(17,036)	(7,038)
Taxation		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation		12,671	(1,105)	(13,387)	20,829	194,100	194,100	177,245	(6,297)	(17,036)	(7,038)
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality		12,671	(1,105)	(13,387)	20,829	194,100	194,100	177,245	(6,297)	(17,036)	(7,038)
Share of surplus/ (deficit) of associate	7	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year		12,671	(1,105)	(13,387)	20,829	194,100	194,100	177,245	(6,297)	(17,036)	(7,038)

The budget allocation for employee related cost for the 2016/17 financial year totals to R132.7million, which equals 28 per cent of the total operating expenditure. Based on the recent collective SALGBC agreement that has just been released for the wage agreement term, the salary increase has been factored into this budget at a percentage increase of 7.6 per cent for the 2016/17 financial year. The major budget implications on employee related cost was the benchmarking exercise and the housing subsidy allocated to employees. Filling of critical vacancies that existed particularly at service delivery departments were prioritized to accelerate human capital investment in key strategic and operational posts.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The Division of Revenue Act of 2016/17 grant allocation as gazetted for remuneration of councillors has an amount of R7.2million for councilors' remuneration as well as the stipend for the ward councilor's which has been considered during the compilation of the 2016/17 Final Annual Budget.

Finance charges consist primarily of the repayment of interest on long-term borrowing from DBSA (cost of capital) as well as bank charges.

Bulk purchases are largely informed by the purchase of bulk electricity of R110 million and the raw water extractions from DWA.

Other material comprises of amongst others the purchase of fuel, diesel, materials for repairs & maintenance, cleaning materials and water treatment chemicals. In line with the municipality's repairs

and maintenance plan on existing infrastructures, this group of expenditure has been prioritized to ensure sustainability of the service delivery.

1.5.1 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Mkhondo Municipality's approved Indigent Policy. Recognizing that the number of registered indigent is still low, the target is to register additional 10 per cent or more indigent households during the 2016/17 financial year, a process reviewed annually. The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital Expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 7 - MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification

MP303 Mkhondo - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital expenditure - Vote Multi-year expenditure to be appropriated	2										
Vote 1 - Executive Council		4,247	-	-	-	-	-	-	-	-	-
Vote 2 - Budget & Treasury Office		-	1,608	3,652	1,495	1,595	1,595	1,595	1,150	-	-
Vote 3 - Corporate Services		1,963	-	-	500	1,371	1,371	1,371	950	-	-
Vote 4 - Planning & Development		-	-	-	800	1,300	1,300	1,300	-	-	-
Vote 5 - Community Administration		-	-	-	925	-	-	-	-	-	-
Vote 6 - Community & Social Services		-	-	-	-	-	-	-	-	-	-
Vote 7 - Housing		-	-	-	-	-	-	-	-	-	-
Vote 8 - Public Safety		32	-	-	650	790	790	790	-	-	-
Vote 9 - Sports & Recreation		-	-	-	-	-	-	-	-	-	-
Vote 10 - Roads & Technical Services		23,181	-	5,173	21,260	29,553	29,553	29,553	29,808	58,407	35,407
Vote 11 - Waste Management		5,466	-	-	-	-	-	-	-	-	-
Vote 12 - Waste Water Management		17,570	-	-	1,200	9,981	9,981	9,981	-	18,325	45,988
Vote 13 - Water		8,911	-	-	52,924	166,687	166,687	166,687	41,358	-	-
Vote 14 - Electricity		2,321	-	-	13,178	29,328	29,328	29,328	4,000	7,000	8,000
Vote 15 - Other		800	96,485	88,755	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	64,491	98,092	97,580	92,932	240,605	240,605	240,605	77,266	83,732	89,395

MKHONDO LOCAL MUNICIPALITY 2016/17 FINAL MTREF BUDGET

Total Capital Expenditure - Vote		64,491	98,092	97,580	92,932	240,605	240,605	240,605	77,266	83,732	89,395
Capital Expenditure - Standard											
Governance and administration		6,210	1,608	3,652	1,995	2,966	2,966	2,966	2,100	-	-
Executive and council		4,247	-	-	-	-	-	-	-	-	-
Budget and treasury office		-	1,608	3,652	1,495	1,595	1,595	1,595	1,150	-	-
Corporate services		1,963	-	-	500	1,371	1,371	1,371	950	-	-
Community and public safety		32	-	-	1,575	790	790	790	-	-	-
Community and social services		-	-	-	925	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		32	-	-	650	790	790	790	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		23,181	-	5,173	22,060	30,853	30,853	30,853	29,808	58,407	35,407
Planning and development		-	-	-	800	1,300	1,300	1,300	-	-	-
Road transport		23,181	-	5,173	21,260	29,553	29,553	29,553	29,808	58,407	35,407
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		34,269	-	-	67,302	205,996	205,996	205,996	45,358	25,325	53,988
Electricity		2,321	-	-	13,178	29,328	29,328	29,328	4,000	7,000	8,000
Water		8,911	-	-	52,924	166,687	166,687	166,687	41,358	-	-
Waste water management		17,570	-	-	1,200	9,981	9,981	9,981	-	18,325	45,988
Waste management		5,466	-	-	-	-	-	-	-	-	-
Other		800	96,485	88,755	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	64,491	98,092	97,580	92,932	240,605	240,605	240,605	77,266	83,732	89,395
Funded by:											
National Government		56,954	95,513	90,683	81,885	97,072	97,072	97,072	75,166	83,732	89,395
Provincial Government		-	-	-	-	100,000	100,000	100,000	-	-	-
District Municipality		-	-	-	-	4,000	4,000	4,000	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	56,954	95,513	90,683	81,885	201,072	201,072	201,072	75,166	83,732	89,395
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		7,537	2,579	6,897	11,048	39,534	39,534	39,534	2,100	-	-
Total Capital Funding	7	64,491	98,092	97,580	92,932	240,605	240,605	240,605	77,266	83,732	89,395

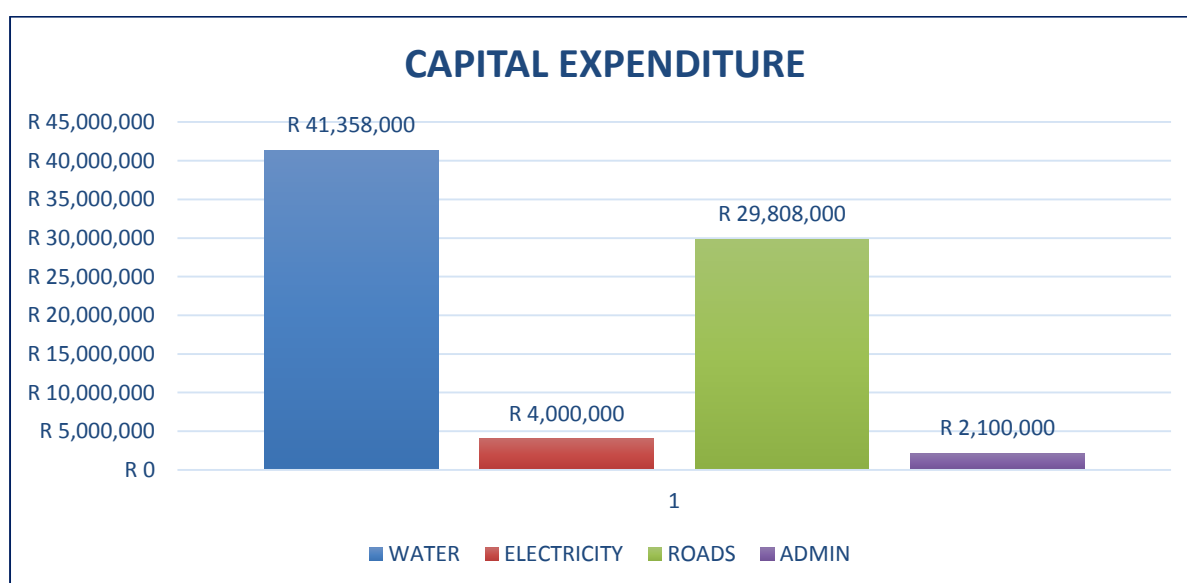
For 2016/17 an amount of R77.3million has been appropriated towards the capital budget for development of infrastructure within the Mkhondo Local municipality jurisdiction. The highest capital

infrastructure budget allocation on water supply of R41.3million which equates to 53 per cent will address water backlogs that the municipality is currently facing in rural villages.

Our municipal road requires maintenance and upgrading therefore a sufficient budget is been set-aside for construction of access roads, storm drainage system in Ethandakukhanya, etc an amount of R29.3million which equates to 38 per cent in order to improve access of mobility in and around township eMkhondo. Electrification projects will amount to R4million which equates to 5 per cent.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

Figure 1 Capital Expenditure Programme



The capital expenditure bar charts illustrate that the large portion of the capital spending will be geared towards water supply projects of R41.4million in rural villages. Roads capital budget includes a creation of cemetery site and other construction and rehabilitation of access roads.

2016/17 Final Budget MIG is just under R71.2million and Integrated National Electrification Programme (INEP) with R4 million as well as Own funded capital of just over R2 million for acquisitions of assets.

1.7 Annual Budget Tables

Table 8 - MP303 Mkhondo - Table A1 Budget Summary

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousands										
<u>Financial Performance</u>										
Property rates	18,893	20,108	31,383	38,936	38,936	38,936	17,245	44,252	42,966	45,501
Service charges	103,484	103,172	114,732	129,207	129,207	129,207	60,145	127,376	147,787	163,622
Investment revenue	2,347	2,514	1,213	1,449	500	500	4,217	947	566	599
Transfers recognised - operational	150,931	125,126	137,188	161,926	196,407	196,407	128,822	174,112	189,449	204,612
Other own revenue	15,268	51,580	44,301	30,600	32,100	32,100	15,951	49,183	49,291	52,199
Total Revenue (excluding capital transfers and contributions)	290,923	302,500	328,817	362,118	397,150	397,150	226,381	395,871	430,059	466,534
Employee costs	86,757	97,576	112,532	113,732	117,516	117,516	57,260	132,739	144,844	155,852
Remuneration of councillors	12,100	12,104	12,840	11,198	13,500	13,500	6,570	14,653	15,283	16,185
Depreciation & asset impairment	71,498	72,540	70,686	73,058	73,058	73,058	36,293	75,080	77,332	79,652
Finance charges	1,184	4,068	7,528	446	249	249	3,140	266	282	299
Materials and bulk purchases	74,851	119,531	114,275	106,804	110,143	110,143	51,614	127,690	148,173	159,128
Transfers and grants	3,466	3,876	6,480	12,835	12,835	12,835	2,290	12,728	9,715	7,943
Other expenditure	70,304	87,540	109,284	105,101	116,355	116,355	52,741	116,278	135,198	143,908
Total Expenditure	320,160	397,235	433,625	423,174	443,655	443,655	209,908	479,434	530,827	562,967
Surplus/(Deficit)	(29,237)	(94,734)	(104,808)	(61,056)	(46,505)	(46,505)	16,473	(83,563)	(100,768)	(96,433)
Transfers recognised - capital	41,908	93,629	86,376	81,885	201,072	201,072	121,238	75,166	83,732	89,395
Contributions recognised - capital & contributed assets	–	–	5,045	–	39,534	39,534	39,534	2,100	–	–
Surplus/(Deficit) after capital transfers & contributions	12,671	(1,105)	(13,387)	20,829	194,100	194,100	177,245	(6,297)	(17,036)	(7,038)
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	12,671	(1,105)	(13,387)	20,829	194,100	194,100	177,245	(6,297)	(17,036)	(7,038)
<u>Capital expenditure & funds sources</u>										
Capital expenditure	64,491	98,092	97,580	92,932	240,605	240,605	240,605	77,266	83,732	89,395
Transfers recognised - capital	56,954	95,513	90,683	81,885	201,072	201,072	201,072	75,166	83,732	89,395
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	7,537	2,579	6,897	11,048	39,534	39,534	39,534	2,100	–	–
Total sources of capital funds	64,491	98,092	97,580	92,932	240,605	240,605	240,605	77,266	83,732	89,395

MKHONDO LOCAL MUNICIPALITY 2016/17 FINAL MTREF BUDGET

<u>Financial position</u>										
Total current assets	49,953	62,505	65,066	132,300	120,265	120,265	127,705	95,317	104,411	121,079
Total non-current assets	1,395,184	1,318,489	1,338,681	1,295,344	1,388,052	1,388,052	1,442,351	1,440,449	1,526,985	1,619,971
Total current liabilities	80,942	121,425	155,258	68,286	86,242	86,242	103,558	61,503	91,235	101,677
Total non-current liabilities	30,579	31,010	33,317	31,146	12,235	12,235	32,969	35,287	36,546	38,702
Community wealth/Equity	1,333,616	1,228,559	1,215,172	1,328,211	1,409,841	1,409,841	1,433,529	1,438,977	1,503,615	1,600,671
<u>Cash flows</u>										
Net cash from (used) operating	60,753	82,768	75,632	86,103	210,232	210,232	130,431	54,257	84,165	97,229
Net cash from (used) investing	(62,031)	(90,188)	(97,761)	(92,932)	(222,860)	(222,860)	(120,930)	(73,766)	(82,034)	(87,597)
Net cash from (used) financing	(20,403)	(1,204)	(1,220)	(1,161)	(800)	(800)	(593)	(875)	–	–
Cash/cash equivalents at the year end	23,757	25,501	2,152	25,201	3,408	3,408	11,060	(16,976)	(14,844)	(5,212)
<u>Cash backing/surplus reconciliation</u>										
Cash and investments available	23,757	25,501	19,658	24,232	17,768	17,768	11,060	(16,976)	(14,844)	(5,212)
Application of cash and investments	42,414	94,173	110,487	(20,429)	8,250	8,250	(3,440)	(18,314)	(3,626)	1,373
Balance - surplus (shortfall)	(18,657)	(68,672)	(90,829)	44,661	9,517	9,517	14,500	1,339	(11,218)	(6,584)
<u>Asset management</u>										
Asset register summary (WDV)	1,356,620	1,302,237	1,321,176	1,279,092	1,344,474	1,344,474	1,421,740	1,421,740	1,507,115	1,598,929
Depreciation & asset impairment	71,498	72,540	70,686	73,058	73,058	73,058	75,080	75,080	77,332	79,652
Renewal of Existing Assets	–	–	–	–	–	–	–	–	–	–
Repairs and Maintenance	10,213	33,380	31,409	12,889	16,227	16,227	17,497	17,497	20,950	22,186
<u>Free services</u>										
Cost of Free Basic Services provided	7,043	7,150	5,337	9,002	9,002	9,002	7,342	7,342	7,342	7,342
Revenue cost of free services provided	–	–	–	50	50	50	1,660	1,660	1,660	1,660
<u>Households below minimum service level</u>										
Water:	2	2	2	2	2	2	2	2	2	2
Sanitation/sewerage:	17	16	17	19	19	19	19	19	19	19
Energy:	19	20	20	20	20	20	20	20	20	20
Refuse:	29	30	40	42	42	42	42	42	42	43

PART 2 – Supporting Documentation

2.1 Overview of the Annual Budget Process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

2.1.1 The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

In terms of section 21 of the MFMA the Executive Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2016) a time schedule that sets out the process to revise the IDP and prepare the budget.

2.2 IDP and Services Delivery and Budget Implementation Plan (SDBIP) Priorities

In reviewing the last 5-year IDP, a process plan was developed and adopted by Council. It started in September 2015 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2016/17 MTREF. 2017 is marked by the elections for local municipalities and the last council will adopt and approved the 2016/17 Final IDP before their term of office elapses by the end of April 2016.

Section 25 (1) of the Local Government: Municipal Systems Act 32 of 2000 stipulates that 'each municipal council must, within a prescribed period after its elected term, adopt a single, inclusive and strategic plan for the development of the municipality.

2.2.1 The above section also mentions that an Integrated Development Plan has the following functions:

- Links, integrates and coordinates plans and takes into account proposals for the development of the municipality;
- Aligns the resources and capacity of the municipality with the implementation of the plan;
- Forms the policy framework and general basis on which annual budgets must be based;
- Complies with the provisions of this Chapter (chapter 5 of the above Act); and
- Is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation.

2.3 IDP and Budget Consultative Community Participation

As a process to produce this principal long-term strategic plan, Mkhondo Local Municipality embarked on a detailed public participation process and consultation meetings took place, for the 2011-2016 Integrated Development Planning process. The public consultation process was again conducted during November 2015 for the Final IDP Review. Officials together with honourable councillors went all out to participate in the meetings across all 19 wards in the municipality.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Table 9 Feedback Summary from community needs relating to municipal competencies

IDENTIFIED NEEDS		WARDS																		
PROJECT CATEGORY		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1	WATER	X	X	X	X	X	X		X	X						X		X	X	X
2	SANITATION	X	X	X	X	X	X		X	X						X		X	X	X
3	ELECTRICITY (Reticulation)	X	X	X	X	X	X		X	X					X	X	X	X	X	X
4	ELECTRICITY (Streetlights/Apollo)	X	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X	X
5	CEMETERIES	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6	ROADS (Gravelling)	X	X	X	X	X			X	X	X					X		X	X	X
7	ROADS (Resealing)							X			X	X		X	X		X	X		
8	STADIUMS	X	X	X	X	X	X											X	X	X
9	HALLS	X	X	X			X		X	X	X	X						X	X	X
10	HALLS (FURNISHING)				X	X										X				X
11	STANDS/SITES					X	X				X	X								X
12	SPEED HUMPS					X	X	X		X	X	X	X	X	X		X	X		X

The above table is a summary of the needs as identified in different ward meetings. The details of the actual needs are contained in the minutes of different ward meetings. The "X" does not indicate that there's no services at all within that ward but there's still some villages or areas which need those services. Reference of such villages/ areas is made in the minutes of the community participation which is available on request.

2.4 Overview of alignment of annual budget with IDP

The purpose of this document is to describe the planning and implementation processes that will be followed by Mkhondo Local Municipality to deliver on its mandate through being a developmental local municipality. Critical in this document are the five development priorities of the municipality, which are the national Key Performance Areas for local government, namely:

- Basic Service Delivery
- Municipal Institutional Development and Transformation
- Local Economic Development
- Financial Viability and Management
- Good Governance and Public Participation
- Spatial Rationale

Table 10 - MP303 Mkhondo - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

and Budget (operating expenditure)													
Strategic Objective	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	
R thousand													
Municipal governance and administration				238,066	173,211	189,949	182,439	197,079	197,079	205,140	225,551	239,679	
Community and public safety				8,996	35,934	41,409	34,740	41,055	41,055	42,856	48,593	51,460	
Economic and environmental services				3,176	34,457	38,885	32,800	30,921	30,921	32,786	38,536	40,810	
Trading services				69,922	141,340	150,472	166,420	160,397	160,397	184,579	201,906	213,819	
Other services				–	12,292	12,910	6,774	14,204	14,204	14,072	16,241	17,199	
Allocations to other priorities													
Total Expenditure				1	320,160	397,235	433,625	423,174	443,655	443,655	479,434	530,827	562,967

Table 11 - IDP Strategic Development Priorities and Objectives

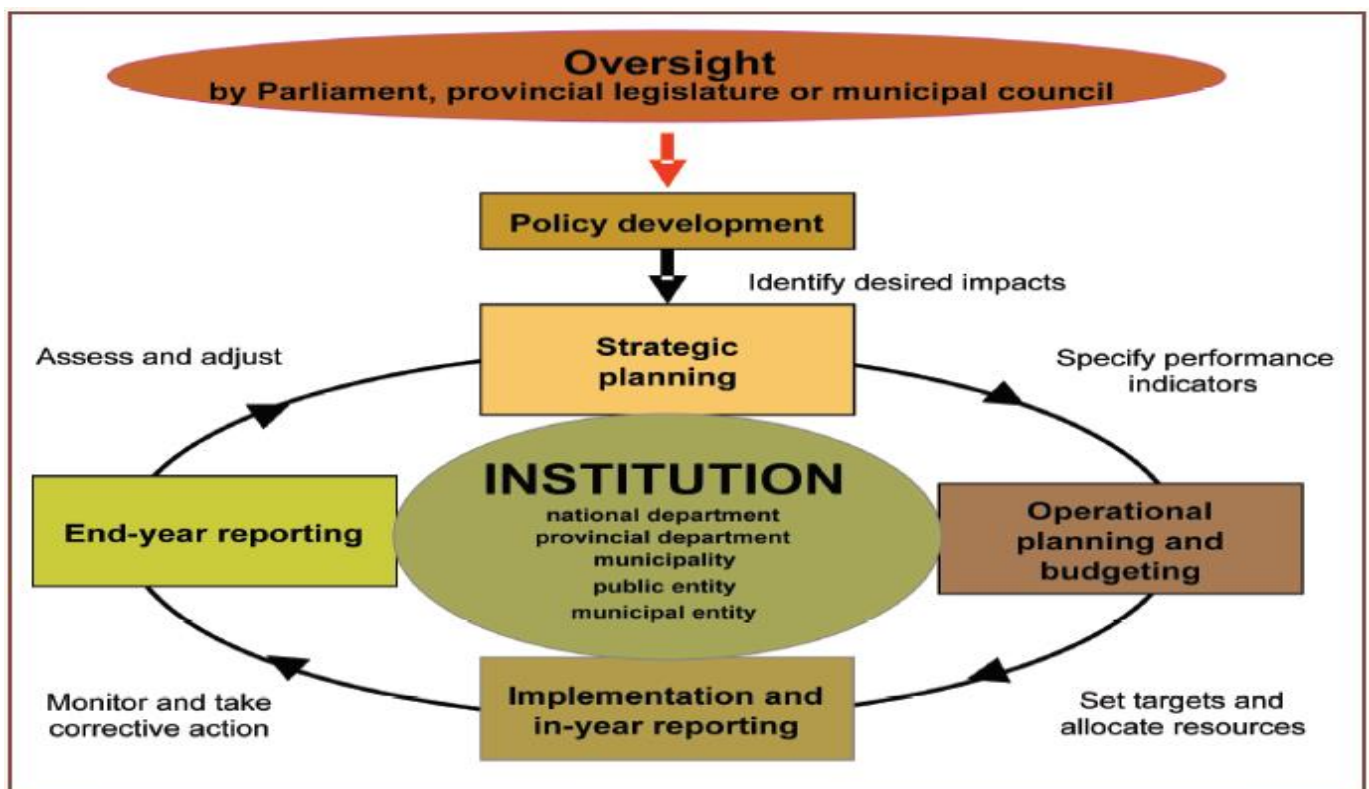
Basic Service Delivery	Municipal Institutional Development and Transformation	Local Economic Development	Financial Viability and Management	Good Governance and Public Participation	Spatial Rationale
➤ To accelerate the Provision of Water, Sanitation, Roads, Storm Water and Electricity services in partnership with key stakeholders to meet millennium targets and improve the living conditions for all.	➤ To provide support to both the administrative and political offices of the municipality in order to enable their maximum performance.	➤ To facilitate and market opportunities and advantages of Mkhondo Municipality in order to attract local and foreign direct investment.	➤ To align with the needs of the public through alignment with the IDP to ensure spending where it is most needed.	➤ To increase transparency and legitimacy in decision making processes of the municipality.	➤ To implement SPLUMA
➤ To accelerate provision of services relating to disaster management, safety, fire, emergency, as well as traffic and licensing	➤ To facilitate representation of previously disadvantaged individuals (PDIs) in both administrative and political offices of the municipality.	➤ To support growth and development of tourism sector within Mkhondo Municipality.	➤ To ensure that the Municipality maintains its Clean Audit record and Good Financial Management.	➤ To strengthen public participation through Izimbizo, IDP Forums and other communication platforms, this will include previously marginalised groups.	➤ To ensure that the system of spatial planning and land use management promotes social and economic inclusion
➤ To accelerate provision of services relating to solid waste, parks and gardens; whereas ensuring environmental sustainability of all developments.	➤ To provide education and training for officials and councillors in order to increase their efficiency on the job.	➤ To support cooperatives' and small business development.	➤ To manage internal and external income efficiently; and thus render a sound service to the public.	➤ To improve internal systems and controls, and increase the overall operational efficiency of the municipality to fulfil its responsibilities.	➤ To provide for the sustainable and efficient use of land.
➤ To support provision of comprehensive services and ensure that communities can have access to services which are closer to them.			➤ To assist all departments administratively in increasing their expenditure.		

2.5 Measurable Performance Objectives and Indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, Mkhondo Local Municipality has developed and implementing a performance management system wherein top management have signed performance agreements with the Municipal manager and the Executive Mayor.

Mkhondo Local Municipality has also established a Performance Management unit as well as the performance management committee which is expected to be the integrated planning process which will enhance the Municipality's targets, monitoring, assessing and reviewing its organizational performance which in turn is directly linked to individual employee's performance i.e. Section 57 appointees.

Figure2 The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of Mkhondo Local Municipality relates directly to the extent to which it has achieved success in realizing its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore, has adopted performance management system which encompasses

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

2.6 Overview of Budget related – Policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

- Supply Chain Management policy
- 3G and data policy
- Investment policy
- ICT policy
- Budget policy
- Fund Transfer policy
- Credit & Debit Control policy
- Subsistence & Travelling policy
- Asset Management Policy
- Tariff policy
- Banking and Cash Management policy
- Indigent Policy
- Rates policy
- Fleet Management policy
- Asset Disposal policy

2.7 Overview of Budget assumptions

2.7.1 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilized to fund capital or refinancing of borrowing in certain conditions. Mkhondo Local municipality has in the past secured loan with DBSA for financing capital infrastructure and that's the only finance charges it incurs on repayments and financing interest on the loan.

2.7.2 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (77 per cent) of annual billings. Cash flow is assumed to be 77 per cent of billings, plus an increased collection of arrear debt from the revenue enhancing strategy and incentives measures to encourage community to pay their arrears on service accounts.

2.7.3 Salary increase

The collective agreement regarding salaries/ wages which will come to effect on the 01 July 2016 according to the new wage agreement with SALGBC, an estimated growth in employee related cost is budgeted at 7.64 per cent for 2016/17 financial year, notwithstanding the NT circular no.79 in terms of the guidelines.

2.8 Overview of Capital Budget Funding Sources

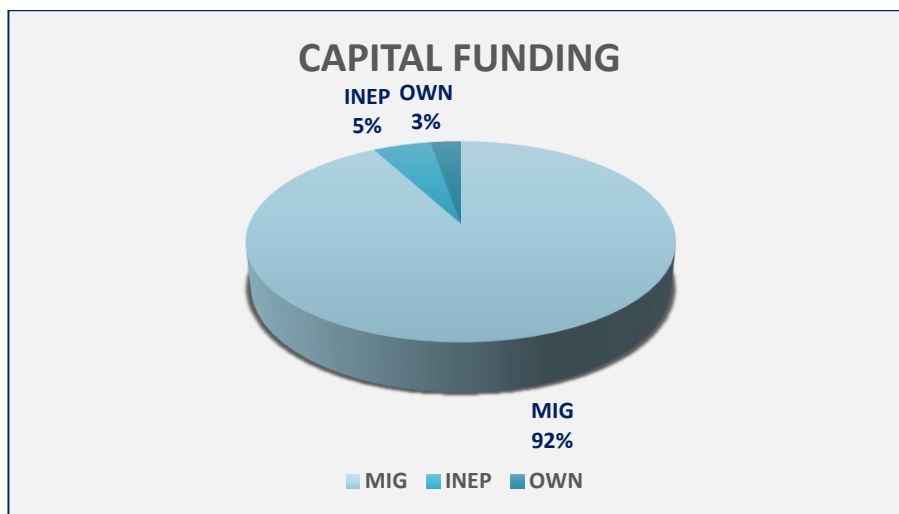
2.8.1 Medium – Term Outlook: Capital Revenue

The following table is a breakdown of the funding composition of the 2016/17 Medium-term capital programme:

Table 12 - MP303 Mkhondo - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Funded by:											
National Government		56,954	95,513	90,683	81,885	97,072	97,072	97,072	75,166	83,732	89,395
Provincial Government		–	–	–	–	100,000	100,000	100,000	–	–	–
District Municipality		–	–	–	–	4,000	4,000	4,000	–	–	–
Other transfers and grants		–	–	–	–	–	–	–	–	–	–
Transfers recognised - capital	4	56,954	95,513	90,683	81,885	201,072	201,072	201,072	75,166	83,732	89,395
Public contributions & donations	5	–	–	–	–	–	–	–	–	–	–
Borrowing	6	–	–	–	–	–	–	–	–	–	–
Internally generated funds		7,537	2,579	6,897	11,048	39,534	39,534	39,534	2,100	–	–
Total Capital Funding	7	64,491	98,092	97,580	92,932	240,605	240,605	240,605	77,266	83,732	89,395

Figure 3 Sources of capital revenue for the 2016/17 financial year



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Capital grants and receipts equates to 92 per cent of MIG and the INEP equates to 5 per cent present and just 3 per cent for own funded capital to a tune of R2.1 million.

2.9 Funding Compliance Measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 13 - MP303 Mkhondo Supporting Table SA10 Funding Measurement

Description	MFMA section	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Funding measures	–										
Cash/cash equivalents at the year end - R'000	18(1)b	23,757	25,501	2,152	25,201	3,408	3,408	11,060	(16,976)	(14,844)	(5,212)
Cash + investments at the yr end less applications - R'000	18(1)b	(18,657)	(68,672)	(90,829)	44,661	9,517	9,517	14,500	1,339	(11,218)	(6,584)
Cash year end/monthly employee/supplier payments	18(1)b	1.4	1.1	0.1	1.0	0.1	0.1	0.9	(0.6)	(0.4)	(0.1)
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	12,671	(1,105)	(13,387)	20,829	194,100	194,100	177,245	(6,297)	(17,036)	(7,038)
Service charge rev % change - macro	18(1)a,(2)	N.A.	(5.3%)	12.5%	9.1%	(6.0%)	(6.0%)	(60.0%)	(3.9%)	5.1%	3.6%
CPIX target exclusive	18(1)a,(2)	100.0%	67.6%	76.6%	81.6%	72.4%	72.4%	100.2%	77.9%	88.0%	88.1%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	100.0%	67.6%	76.6%	81.6%	72.4%	72.4%	100.2%	77.9%	88.0%	88.1%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	1.6%	18.6%	19.2%	17.1%	17.1%	17.1%	22.4%	17.7%	16.0%	15.4%
Capital payments % of capital expenditure	18(1)c;19	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	50.5%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	N.A.	119.8%	63.2%	98.2%	(13.2%)	0.0%	13.6%	7.7%	6.2%	5.9%
Long term receivables % change - incr(decr)	18(1)a	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	0.8%	2.8%	2.5%	1.1%	1.3%	1.3%	1.3%	1.3%	1.5%	1.5%
Asset renewal % of capital budget	20(1)(vi)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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High Level Outcome of Funding Compliance											
Total Operating Revenue	290,923	302,500	328,817	362,118	397,150	397,150	226,381	395,871	430,059	466,534	
Total Operating Expenditure	320,160	397,235	433,625	423,174	443,655	443,655	209,908	479,434	530,827	562,967	
Surplus/(Deficit) Budgeted Operating Statement	(29,237)	(94,734)	(104,808)	(61,056)	(46,505)	(46,505)	16,473	(83,563)	(100,768)	(96,433)	
Surplus/(Deficit) Considering Reserves and Cash Backing	(18,657)	(68,672)	(90,829)	44,661	9,517	9,517	14,500	1,339	(11,218)	(6,584)	
MTREF Funded (1) / Unfunded (0)	0	0	0	1	1	1	1	1	0	0	
MTREF Funded ✓ / Unfunded ✖	✖	✖	✖	✓	✓	✓	✓	✓	✖	✖	

2.10 Expenditure on Grants and Reconciliation of Unspent

Table 14 - MP303 Mkhondo - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
EXPENDITURE:	1									
– Operating expenditure of Transfers and Grants										
National Government:		3,466	114,595	132,882	161,926	196,407	196,407	174,112	189,449	204,612
Local Government Equitable Share		–	–	–	–	–	–	–	–	–
Local Government Equitable Share		3,466	110,201	127,313	153,190	187,671	187,671	166,350	183,804	198,712
Finance Management		–	1,550	1,600	1,675	1,675	1,675	1,810	2,145	2,400
Municipal Systems Improvement		–	890	934	930	930	930	–	–	–
EPWP Incentive		–	1,954	2,913	2,348	2,348	2,348	2,452	–	–
LG SETA		–	–	122	–	186	186	–	–	–
Other transfers/grants PMU		–	–	–	3,783	3,596	3,596	3,500	3,500	3,500
Operational portion		–	–	–	3,783	3,596	3,596	3,500	3,500	3,500
Total operating expenditure of Transfers and Grants:		3,466	114,595	132,882	161,926	196,407	196,407	174,112	189,449	204,612
Capital expenditure of Transfers and Grants										

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National Government:		56,954	62,012	90,683	81,885	97,072	97,072	75,166	83,732	89,395
Municipal Infrastructure Grant (MIG)		56,954	62,012	86,376	71,885	87,072	87,072	71,166	76,732	81,395
INEP		–	–	4,307	10,000	10,000	10,000	4,000	7,000	8,000
Provincial Government:		–	–	–	–	100,000	100,000	–	–	–
Human Settlement		–	–	–	–	100,000	100,000	–	–	–
District Municipality:		–	–	–	–	4,000	4,000	–	–	–
<i>Gert Sibande</i>		–	–	–	–	4,000	4,000	–	–	–
Total capital expenditure of Transfers and Grants		56,954	62,012	90,683	81,885	201,072	201,072	75,166	83,732	89,395
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		60,420	176,607	223,565	243,811	397,478	397,478	249,278	273,181	294,007

Table 15 - MP303 Mkhondo - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Operating transfers and grants:										
National Government:	1,3									
Current year receipts		9,949	114,595	132,882	161,926	196,407	196,407	174,112	189,449	204,612
Conditions met - transferred to revenue		9,949	114,595	132,882	161,926	196,407	196,407	174,112	189,449	204,612
Total operating transfers and grants revenue		9,949	114,595	132,882	161,926	196,407	196,407	174,112	189,449	204,612
Total operating transfers and grants - CTBM	2	–	–	–	–	–	–	–	–	–
Capital transfers and grants:	1,3									
Current year receipts		56,954	65,623	90,683	81,885	97,072	97,072	75,166	83,732	89,395
Conditions met - transferred to revenue		56,954	65,623	90,683	81,885	97,072	97,072	75,166	83,732	89,395
Current year receipts		–	–	–	–	100,000	100,000	–	–	–
Conditions met - transferred to revenue		–	–	–	–	100,000	100,000	–	–	–
Current year receipts		–	–	–	–	4,000	4,000	–	–	–
Conditions met - transferred to revenue		–	–	–	–	4,000	4,000	–	–	–
Total capital transfers and grants revenue		56,954	65,623	90,683	81,885	201,072	201,072	75,166	83,732	89,395
Total capital transfers and grants - CTBM	2	–	–	–	–	–	–	–	–	–
TOTAL TRANSFERS AND GRANTS REVENUE		66,903	180,218	223,565	243,811	397,478	397,478	249,278	273,181	294,007
TOTAL TRANSFERS AND GRANTS - CTBM		–	–	–	–	–	–	–	–	–

2.11 Councillors and Employee Benefits

Table 16 - MP303 Mkhondo - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
<u>Councillors</u>	3							
Speaker	4		327,508	56,337	262,588			646,433
Chief Whip			279,435	74,426	252,171			606,032
Executive Mayor			402,145	94,838	311,058			808,041
Deputy Executive Mayor			–	–	–			–
Executive Committee			526,930	160,459	449,631			1,137,020
Total for all other councillors			6,148,040	1,302,272	4,005,162			11,455,474
Total Councillors	8	–	7,684,058	1,688,332	5,280,610			14,653,000
<u>Senior Managers of the Municipality</u>	5							
Municipal Manager (MM)			771,691	143,105	214,510			1,129,306
Chief Finance Officer			506,381	124,427	249,286			880,094
GM TECHNICAL SERVICES			634,254	190,011	103,903			928,169
GM CORPORATE SERVICES			601,399	142,337	136,357			880,094
GM COMMUNITY SERVICES			601,399	144,625	134,069			880,094
								–
<i>List of each official with packages >= senior manager</i>								
Senior Managers and Other			12,695,991	2,756,322	6,648,176			22,100,488
Total Senior Managers of the Municipality	8,10	–	15,811,116	3,500,828	7,486,301	–		26,798,244
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	10	–	23,495,174	5,189,160	12,766,911	–		41,451,244

Table 17 - MP303 Mkhondo - Supporting Table SA24
Summary of personnel numbers

Summary of Personnel Numbers	Ref	2014/15			Current Year 2015/16			Budget Year 2016/17		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)		37	–	37	38	38	–	38	38	–
Board Members of municipal entities	4	–	–	–	–	–	–	–	–	–
Municipal employees	5	–	–	–	–	–	–	–	–	–
Municipal Manager and Senior Managers	3	5	–	5	6	6	–	6	6	–
Other Managers	7	20	20	–	21	20	–	21	20	–
Professionals		167	167	–	16	14	–	16	14	–
<i>Finance</i>		42	42	–	11	10	–	11	10	–
<i>Spatial/town planning</i>		4	4	–	1	–	–	1	–	–
<i>Information Technology</i>		3	3	–	–	–	–	–	–	–
<i>Roads</i>		–	–	–	–	–	–	–	–	–
<i>Electricity</i>		–	–	–	–	–	–	–	–	–
<i>Water</i>		1	1	–	–	–	–	–	–	–
<i>Sanitation</i>		1	1	–	–	–	–	–	–	–
<i>Refuse</i>		–	–	–	–	–	–	–	–	–
<i>Other</i>		116	116	–	4	4	–	4	4	–
Technicians		209	209	–	6	6	–	6	6	–
<i>Finance</i>		–	–	–	–	–	–	–	–	–
<i>Spatial/town planning</i>		–	–	–	–	–	–	–	–	–
<i>Information Technology</i>		–	–	–	2	2	–	2	2	–
<i>Roads</i>		61	61	–	–	–	–	–	–	–
<i>Electricity</i>		46	46	–	1	1	–	1	1	–
<i>Water</i>		34	34	–	3	3	–	3	3	–
<i>Sanitation</i>		10	10	–	–	–	–	–	–	–
<i>Refuse</i>		58	58	–	–	–	–	–	–	–
<i>Other</i>		–	–	–	–	–	–	–	–	–
Clerks (Clerical and administrative)		–	–	–	70	65	–	70	65	–
Service and sales workers		–	–	–	45	42	–	45	42	–
Skilled agricultural and fishery workers		–	–	–	54	54	–	54	54	–
Craft and related trades		–	–	–	8	8	–	8	8	–
Plant and Machine Operators		–	–	–	35	31	–	35	31	–
Elementary Occupations		–	–	–	301	250	–	301	250	–

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TOTAL PERSONNEL NUMBERS	9	438	396	42	600	534	-	600	534	-
% increase				37.0%	34.8%	(100.0%)	-	-	-	-
Total municipal employees headcount	6, 10	-	-	-						
Finance personnel headcount	8, 10	-	-	-						
Human Resources personnel headcount	8, 10	-	-	-	8	7	-	8	7	-

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2.12 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

Table 18 - MP303 Mkhondo - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source	–															
Property rates		3,371	3,371	3,371	3,371	3,371	3,371	3,371	3,371	3,371	3,371	3,371	7,166	44,252	42,966	45,501
Property rates - penalties & collection charges		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue		8,905	8,905	8,905	8,905	8,905	8,905	8,905	8,905	8,905	8,905	8,905	(4,197)	93,761	113,489	120,185
Service charges - water revenue		1,273	1,273	1,273	1,273	1,273	1,273	1,273	1,273	1,273	1,273	1,273	1,919	15,926	16,449	21,204
Service charges - sanitation revenue		656	656	656	656	656	656	656	656	656	656	656	1,234	8,454	8,448	10,358
Service charges - refuse revenue		729	729	729	729	729	729	729	729	729	729	729	1,217	9,235	9,401	11,875
Service charges - other		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		71	71	71	71	71	71	71	71	71	71	71	(86)	693	903	956
Interest earned - external investments		44	44	44	44	44	44	44	44	44	44	44	459	947	566	599
Interest earned - outstanding debtors		691	691	691	691	691	691	691	691	691	691	691	2,969	10,574	8,811	9,331
Dividends received		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fines		102	102	102	102	102	102	102	102	102	102	102	(360)	761	1,298	1,375
Licences and permits		4	4	4	4	4	4	4	4	4	4	4	(2)	37	45	47
Agency services		604	604	604	604	604	604	604	604	604	604	604	(181)	6,458	7,692	8,146
Transfers recognised - operational		77,880	–	–	–	62,303	–	–	–	33,929	–	–	–	174,112	189,449	204,612
Other revenue		2,263	2,263	2,263	2,263	2,263	2,263	2,263	2,263	2,263	2,263	2,263	2,263	27,159	28,843	30,545
Gains on disposal of PPE		–	2,300	–	–	–	–	–	1,200	–	–	–	–	3,500	1,698	1,798

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Total Revenue (excluding capital transfers and contributions)		96,594	21,014	18,714	18,714	81,017	18,714	18,714	19,914	52,643	18,714	18,714	12,401	395,871	430,059	466,534
Expenditure By Type	-															
Employee related costs		11,062	11,062	11,062	11,062	11,062	11,062	11,062	11,062	11,062	11,062	11,062	11,062	132,739	144,844	155,852
Remuneration of councillors		1,221	1,221	1,221	1,221	1,221	1,221	1,221	1,221	1,221	1,221	1,221	1,221	14,653	15,283	16,185
Debt impairment		2,392	2,392	2,392	2,392	2,392	2,392	2,392	2,392	2,392	2,392	2,392	4,005	30,313	30,479	32,278
Depreciation & asset impairment		6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	75,080	77,332	79,652
Finance charges		22	22	22	22	22	22	22	22	22	22	22	22	266	282	299
Bulk purchases		9,183	9,183	9,183	9,183	9,183	9,183	9,183	9,183	9,183	9,183	9,183	9,183	110,194	127,223	136,943
Other materials		1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	17,497	20,950	22,186
Contracted services		2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	27,002	34,061	36,309
Transfers and grants		1,061	1,061	1,061	1,061	1,061	1,061	1,061	1,061	1,061	1,061	1,061	1,061	12,728	9,715	7,943
Other expenditure		4,914	4,914	4,914	4,914	4,914	4,914	4,914	4,914	4,914	4,914	4,914	4,914	58,964	70,658	75,322
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		39,818	39,818	39,818	39,818	39,818	39,818	39,818	39,818	39,818	39,818	39,818	41,431	479,434	530,827	562,967
Surplus/(Deficit)		56,776	(18,804)	(21,104)	(21,104)	41,199	(21,104)	(21,104)	(19,904)	12,825	(21,104)	(21,104)	(29,030)	(83,563)	(100,768)	(96,433)
Transfers recognised - capital		6,264	6,264	6,264	6,264	6,264	6,264	6,264	6,264	6,264	6,264	6,264	6,264	75,166	83,732	89,395
Contributions recognised - capital		175	175	175	175	175	175	175	175	175	175	175	175	2,100	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		63,215	(12,365)	(14,665)	(14,665)	47,638	(14,665)	(14,665)	(13,465)	19,264	(14,665)	(14,665)	(22,592)	(6,297)	(17,036)	(7,038)
Taxation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	1	63,215	(12,365)	(14,665)	(14,665)	47,638	(14,665)	(14,665)	(13,465)	19,264	(14,665)	(14,665)	(22,592)	(6,297)	(17,036)	(7,038)

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Table 19 - MP303 Mkhondo - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework			
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<u>Cash Receipts By Source</u>														1		
Property rates	2,526	2,526	2,526	2,526	2,526	2,526	2,526	2,526	2,526	2,526	2,526	2,526	2,526	30,313	38,670	40,951
Property rates - penalties & collection charges												-	-		-	-
Service charges - electricity revenue	6,674	6,674	6,674	6,674	6,674	6,674	6,674	6,674	6,674	6,674	6,674	6,674	6,674	80,094	102,141	108,167
Service charges - water revenue	909	909	909	909	909	909	909	909	909	909	909	909	909	10,909	14,804	19,083
Service charges - sanitation revenue	483	483	483	483	483	483	483	483	483	483	483	483	483	5,791	7,603	9,322
Service charges - refuse revenue	527	527	527	527	527	527	527	527	527	527	527	527	527	6,326	8,461	10,687
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	71	71	71	71	71	71	71	71	71	71	71	71	71	850	903	956
Interest earned - external investments	44	44	44	44	44	44	44	44	44	44	44	44	44	533	566	599
Interest earned - outstanding debtors	104	104	104	104	104	104	104	104	104	104	104	104	104	1,250	8,811	9,331
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	51	51	51	51	51	51	51	51	51	51	51	51	51	611	649	687
Licences and permits	4	4	4	4	4	4	4	4	4	4	4	4	4	42	45	47
Agency services	604	604	604	604	604	604	604	604	604	604	604	604	604	7,243	7,692	8,146
Transfer receipts - operational	14,509	14,509	14,509	14,509	14,509	14,509	14,509	14,509	14,509	14,509	14,509	14,509	14,509	174,112	189,449	204,612
Other revenue	2,263	2,263	2,263	2,263	2,263	2,263	2,263	2,263	2,263	2,263	2,263	2,263	2,263	27,159	28,843	30,545
Cash Receipts by Source	28,770	28,770	28,770	28,770	28,770	28,770	28,770	28,770	28,770	28,770	28,770	28,770	28,770	345,234	408,637	443,136

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Other Cash Flows by Source															
Transfer receipts - capital	28,563	–	–	–	26,308	–	–	–	20,294	–	–	–	75,166	83,732	89,395
Contributions recognised - capital & Contributed assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Proceeds on disposal of PPE	–	2,300	–	–	–	–	–	1,200	–	–	–	–	3,500	1,698	1,798
Short term loans	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Decrease (Increase) in non-current debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Cash Receipts by Source	57,333	31,070	28,770	28,770	55,078	28,770	28,770	29,970	49,064	28,770	28,770	28,770	423,900	494,067	534,329
Cash Payments by Type															
Employee related costs	10,509	10,509	10,509	10,509	10,509	10,509	10,509	10,509	10,509	10,509	10,509	10,509	126,102	137,601	148,059
Remuneration of councillors	1,221	1,221	1,221	1,221	1,221	1,221	1,221	1,221	1,221	1,221	1,221	1,221	14,653	15,283	16,185
Finance charges	22	22	22	22	22	22	22	22	22	22	22	22	266	282	299
Bulk purchases - Electricity	9,083	9,083	9,083	9,083	9,083	9,083	9,083	9,083	9,083	9,083	9,083	9,083	109,000	125,939	135,561
Bulk purchases - Water & Sewer	99	99	99	99	99	99	99	99	99	99	99	99	1,194	1,285	1,382
Other materials	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	17,497	20,950	22,186
Contracted services	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	27,002	34,061	36,309
Transfers and grants - other municipalities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers and grants - other	1,061	1,061	1,061	1,061	1,061	1,061	1,061	1,061	1,061	1,061	1,061	1,061	12,728	2,145	–
Other expenditure	4,914	4,914	4,914	4,914	4,914	4,914	4,914	4,914	4,914	4,914	4,914	4,914	58,964	70,658	75,322
Cash Payments by Type	30,617	30,617	30,617	30,617	30,617	30,617	30,617	30,617	30,617	30,617	30,617	30,617	367,405	408,204	435,302
Other Cash Flows/Payments by Type															

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Capital assets	6,439	6,439	6,439	6,439	6,439	6,439	6,439	6,439	6,439	6,439	6,439	6,439	77,266	83,732	89,395
Repayment of borrowing	–	–	875	–	–	–	–	–	–	–	–	–	875	–	–
Other Cash Flows/Payments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Cash Payments by Type	37,056	37,056	37,931	37,056	37,056	37,056	37,056	37,056	37,056	37,056	37,056	37,056	445,546	491,936	524,697
NET INCREASE/(DECREASE) IN CASH HELD	20,277	(5,986)	(9,161)	(8,286)	18,022	(8,286)	(8,286)	(7,086)	12,008	(8,286)	(8,286)	(8,286)	(21,646)	2,131	9,632
Cash/cash equivalents at the month/year begin:	3,408	23,685	17,698	8,537	251	18,273	9,986	1,700	(5,387)	6,622	(1,665)	(9,951)	3,408	(18,238)	(16,106)
Cash/cash equivalents at the month/year end:	23,685	17,698	8,537	251	18,273	9,986	1,700	(5,387)	6,622	(1,665)	(9,951)	(18,238)	(18,238)	(16,106)	(6,474)

2.13 Other Supporting Documents

Table 20 - MP303 Mkhondo - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
REVENUE ITEMS:											
<u>Property rates</u>	6										
Total Property Rates		18,893	20,108	31,383	38,936	38,936	38,936	17,245	44,252	42,966	45,501
<i>less Revenue Foregone (exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)</i>											
Net Property Rates		18,893	20,108	31,383	38,936	38,936	38,936	17,245	44,252	42,966	45,501
<u>Service charges - electricity revenue</u>	6										
Total Service charges - electricity revenue		81,633	82,804	88,121	101,562	101,562	101,562	47,063	96,044	115,772	122,468
<i>less Revenue Foregone (in excess of 50 kwh per indigent household per month)</i>											
<i>less Cost of Free Basis Services (50 kwh per indigent household per month)</i>		1,786	1,813	–	2,283	2,283	2,283	2,283	2,283	2,283	2,283
Net Service charges - electricity revenue		79,847	80,991	88,121	99,279	99,279	99,279	44,780	93,761	113,489	120,185
<u>Service charges - water revenue</u>	6										
Total Service charges - water revenue		14,046	12,183	14,729	17,907	17,907	17,907	11,032	19,499	20,022	24,777
<i>less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)</i>									1,660	1,660	1,660
<i>less Cost of Free Basis Services (6 kilolitres per indigent household per month)</i>		2,796	2,839	2,839	3,573	3,573	3,573	3,573	1,913	1,913	1,913
Net Service charges - water revenue		11,250	9,345	11,890	14,334	14,334	14,334	7,458	15,926	16,449	21,204
<u>Service charges - sanitation revenue</u>	6										
Total Service charges - sanitation revenue		6,693	6,801	8,004	8,722	8,722	8,722	4,976	9,787	9,781	11,691
<i>less Revenue Foregone (in excess of free sanitation service to indigent households)</i>											
<i>less Cost of Free Basis Services (free sanitation service to indigent households)</i>		1,043	1,059	1,059	1,333	1,333	1,333	1,333	1,333	1,333	1,333
Net Service charges - sanitation revenue		5,649	5,742	6,945	7,389	7,389	7,389	3,643	8,454	8,448	10,358
<u>Service charges - refuse revenue</u>	6										
Total refuse removal revenue		8,156	8,534	9,214	10,017	10,017	10,017	6,076	11,047	11,213	13,687
Total landfill revenue											
<i>less Revenue Foregone (in excess of one removal a week to indigent households)</i>											

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less Cost of Free Basis Services (removed once a week to indigent households)		1,418	1,439	1,439	1,812	1,812	1,812	1,812	1,812	1,812	1,812
Net Service charges - refuse revenue		6,738	7,095	7,774	8,205	8,205	8,205	4,264	9,235	9,401	11,875
Other Revenue by source											
Administrative costs, insurance claim, revenue enhancement	15	2,560	20,331	5	5	5	73	60	63	67	
Advertising/posters (from pre audit back to audited outcomes were sume'd together)	22	19	–	23	23	23	9	24	26	27	
Building plans & cemetery fees (Donation received - audited outcome 2011/12)	142	138	–	433	433	433	57	967	1,027	1,087	
Clearance certificates, VAT, valuation certificates & commission fees	108	134	–	196	196	196	108	236	250	265	
Bins, Cut of grass, other income and miscellaneous income	–	27,258	–	5	5	5	652	14	15	16	
Encroachment, Escorting & Weighbridge fees	1,091	1,626	–	1,954	1,954	1,954	497	2,082	2,212	2,342	
Sale of garden refuse bulk containers, refuse bins & prepaid boxes	–	0	–	3	3	3	7	3	3	4	
Postcards, statements & photocopies fees	2,422	240	–	6	6	6	378	6	7	7	
Rentals, Private calls recovered, PMU admin	–	–	–	–	–	–	–	–	–	–	
Private work & reconnection fees, lost cards, consumer serv	–	–	–	162	162	162	–	608	646	684	
Sale of pines, gums & wattle barks	5,740	3,626	–	10,548	10,548	10,548	7,614	22,401	23,789	25,193	
Sundry - tenders, sub division of stands & testing of meters	3	409	204	–	709	709	709	88	758	805	852
Total 'Other' Revenue	1	9,949	35,807	20,331	14,042	14,042	14,042	9,482	27,159	28,843	30,545
EXPENDITURE ITEMS:											
Employee related costs											
Basic Salaries and Wages	2	59,379	62,462	112,532	76,181	77,035	77,035	39,973	89,314	97,042	104,418
Pension and UIF Contributions		11,423	12,543		14,285	15,188	15,188	7,103	16,342	17,584	18,921
Medical Aid Contributions		2,433	2,646		3,896	4,068	4,068	1,777	4,378	4,710	5,068
Overtime		5,618	6,695		3,426	5,242	5,242	2,900	5,543	5,964	6,417
Performance Bonus		–	–		–	–	–	–	965	1,038	1,117
Motor Vehicle Allowance		1,847	4,184		3,040	2,849	2,849	1,246	3,065	3,298	3,549
Cellphone Allowance		–	–		–	–	–	–	–	–	–
Housing Allowances		1,067	1,064		1,321	2,332	2,332	1,086	2,509	2,700	2,905
Other benefits and allowances		4,788	5,408		11,583	10,802	10,802	3,175	10,623	12,507	13,457
Payments in lieu of leave		–	–		–	–	–	–	–	–	–
Long service awards		203	71		–	–	–	–	–	–	–
Post-retirement benefit obligations	4		2,502		–	–	–	–	–	–	–
sub-total	5	86,757	97,576	112,532	113,732	117,516	117,516	57,260	132,739	144,844	155,852
Less: Employees costs capitalised to PPE											
Total Employee related costs	1	86,757	97,576	112,532	113,732	117,516	117,516	57,260	132,739	144,844	155,852
Contributions recognised - capital											
List contributions by contract						39,534	39,534	39,534	2,100	–	–

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Total Contributions recognised - capital		-	-	-	-	39,534	39,534	39,534	2,100	-	-
<u>Depreciation & asset impairment</u>											
Depreciation of Property, Plant & Equipment		71,498	72,540	70,686	73,058	73,058	73,058	36,293	75,080	77,332	79,652
Lease amortisation		-	-	-	-	-	-	-	-	-	-
Capital asset impairment		-	-	-	-	-	-	-	-	-	-
Depreciation resulting from revaluation of PPE	10	-	-	-	-	-	-	-	-	-	-
Total Depreciation & asset impairment	1	71,498	72,540	70,686	73,058	73,058	73,058	36,293	75,080	77,332	79,652
<u>Bulk purchases</u>											
Electricity Bulk Purchases		61,693	75,425	82,866	92,795	92,795	92,795	37,692	109,000	125,939	135,561
Water Bulk Purchases		1,575	10,726		1,120	1,120	1,120	242	1,194	1,285	1,382
Total bulk purchases	1	63,268	86,151	82,866	93,915	93,915	93,915	37,934	110,194	127,223	136,943
<u>Transfers and grants</u>											
Cash transfers and grants		3,466	3,876	6,480	12,835	12,835	12,835	2,290	12,728	9,715	7,943
Non-cash transfers and grants		-	-	-	-	-	-	-	-	-	-
Total transfers and grants	1	3,466	3,876	6,480	12,835	12,835	12,835	2,290	12,728	9,715	7,943
<u>Contracted services</u>											
List services provided by contract		-	-	-	-	-	-	-	-	-	-
Private contractors e.g.SIVIL Culture, Mpangazitha.		24,396	25,749	24,207	13,093	14,938	14,938	14,850	12,319	17,556	18,715
Security services		8,238	9,262	12,155	13,858	13,968	13,968	5,506	14,089	15,872	16,920
Valuation roll: supplementary.		-	-		1,209	556	556	-	593	632	674
VAT review commission		-	-		-	-	-	-	-	-	-
sub-total	1	32,635	35,011	36,362	28,161	29,463	29,463	20,356	27,002	34,061	36,309
Total contracted services		32,635	35,011	36,362	28,161	29,463	29,463	20,356	27,002	34,061	36,309
<u>Other Expenditure By Type</u>	-										
Audit fees		2,812	2,310	-	2,446	2,277	2,277	2,038	3,494	3,724	3,970
General expenses	3	32,940	27,228	44,883	45,796	54,451	54,451	12,974	19,733	65,269	69,577
List Other Expenditure by Type		-	-	-	-	-	-	-	-	-	-
Administration		-	-	-	-	-	-	-	-	-	-
Transfer to Reserves		-	-	-	-	1,465	1,465	-	1,562	1,665	1,775
ADVERTISING		-	-	-	-	-	-	-	1,141	-	-
AUDIT FEES		-	-	-	-	-	-	-	3,494	-	-
BANK CHARGES		-	-	-	-	-	-	-	1,134	-	-
CHEMICALS		-	-	-	-	-	-	-	2,123	-	-
INSURANCE		-	-	-	-	-	-	-	4,024	-	-
BURSARIES		-	-	-	-	-	-	-	1,000	-	-
LEGAL FEES		-	-	-	-	-	-	-	1,719	-	-

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MEMBERSHIP FEES		-	-	-	-	-	-	-	1,284	-	-
PRINTING & STATIONERY		-	-	-	-	-	-	-	2,051	-	-
PROTECTIVE CLOTHING		-	-	-	-	-	-	-	2,593	-	-
RENTAL:OFFICE EQUIPMENT		-	-	-	-	-	-	-	2,842	-	-
RENTAL OFFICES		-	-	-	-	-	-	-	1,070	-	-
SKILLS DEVELOPMENT LEVY		-	-	-	-	-	-	-	1,066	-	-
STORES & MATERIAL		-	-	-	-	-	-	-	1,081	-	-
SUBSISTENCE & TRAVELING		-	-	-	-	-	-	-	2,006	-	-
ACCOMMODATIONS		-	-	-	-	-	-	-	1,521	-	-
TELEPHONE		-	-	-	-	-	-	-	2,012	-	-
TRAINING COSTS: EMPLOYEES		-	-	-	-	-	-	-	2,014	-	-
		-	-	-	-	-	-	-	-	-	-
Total 'Other' Expenditure	1	35,753	29,537	44,883	48,241	58,193	58,193	15,012	58,964	70,658	75,322

Repairs and Maintenance by Expenditure Item	8										
Employee related costs		-	-	-	-	-	-	-	-	-	-
Other materials		-	-	-	-	-	-	-	17,497	20,950	22,186
Contracted Services		-	-	-	-	-	-	-	-	-	-
Other Expenditure		10,213	33,380	31,409	12,889	16,227	16,227	16,227	-	-	-
Total Repairs and Maintenance Expenditure	9	10,213	33,380	31,409	12,889	16,227	16,227	16,227	17,497	20,950	22,186

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Table 21 - MP303 Mkhondo - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)

Description	Ref	Vote 1 - Executive Council	Vote 2 - Budget & Treasury Office	Vote 3 - Corporate Services	Vote 4 - Planning & Development	Vote 5 - Community Administration	Vote 6 - Community & Social Services	Vote 7 - Housing	Vote 8 - Public Safety	Vote 9 - Sports & Recreation	Vote 10 - Roads & Technical Services	Vote 11 - Waste Management	Vote 12 - Waste Water Management	Vote 13 - Water	Vote 14 - Electricity	Vote 15 - Other	Total
R thousand	1																
<u>Revenue By Source</u>																	
Property rates			40,458														40,458
Property rates - penalties & collection charges			–														–
Service charges - electricity revenue															106,864		106,864
Service charges - water revenue														15,280			15,280
Service charges - sanitation revenue													7,877				7,877
Service charges - refuse revenue												8,747					8,747
Service charges - other																	–
Rental of facilities and equipment				595			23									232	850
Interest earned - external investments			533														533
Interest earned - outstanding debtors			8,297														8,297
Dividends received																	–
Fines									775						447		1,223
Licences and permits									42								42
Agency services									7,243								7,243
Other revenue	56	643	0		1,213		188		2,046			17	35	249	329	22,383	27,159
Transfers recognised - operational		155,271	1,810								5,952			3,909	7,170		174,112

MKHONDO LOCAL MUNICIPALITY 2016/17 FINAL MTREF BUDGET

Gains on disposal of PPE	3,500															3,500
Total Revenue (excluding capital transfers and contributions)	158,827	51,740	595	1,213	-	211	-	10,107	-	5,952	8,764	7,912	19,438	114,810	22,615	402,184
<u>Expenditure By Type</u>																
Employee related costs	5,523	22,442	14,085	3,821	3,315	2,204		15,835	4,319	17,201	10,639	1,447	15,116	11,812	4,980	132,739
Remuneration of councillors	13,391															13,391
Debt impairment		28,700														28,700
Depreciation & asset impairment	75,080															75,080
Finance charges										266						266
Bulk purchases													1,194	109,000		110,194
Other materials	27	291	1,295		0	13		969	84	3,134	541	239	5,117	5,667	121	17,497
Contracted services		6,693			12,964				250		350		2,107		4,638	27,002
Transfers and grants	1,907	1,810								2,452			3,909	2,650		12,728
Other expenditure	13,535	10,957	8,829	905	512	122	132	2,769	469	6,155	2,661	1,383	4,109	2,092	4,334	58,964
Loss on disposal of PPE																-
Total Expenditure	109,463	70,893	24,209	4,726	16,791	2,339	132	19,573	5,121	29,207	14,191	3,069	31,552	131,220	14,073	476,560
Surplus/(Deficit)	49,364	(19,153)	(23,614)	(3,513)	(16,791)	(2,128)	(132)	(9,466)	(5,121)	(23,255)	(5,427)	4,843	(12,114)	(16,411)	8,543	(74,375)
Transfers recognised - capital	75,166															75,166
Contributions recognised - capital																-
Contributed assets		1,150	950													2,100
Surplus/(Deficit) after capital transfers & contributions	124,530	(18,003)	(22,664)	(3,513)	(16,791)	(2,128)	(132)	(9,466)	(5,121)	(23,255)	(5,427)	4,843	(12,114)	(16,411)	8,543	2,891

MKHONDO LOCAL MUNICIPALITY 2016/17 FINAL MTREF BUDGET

Table 22 - MP303 Mkhondo - Supporting Table SA3 Supporting detail to 'Budgeted Financial Position'

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
ASSETS											
<u>Call investment deposits</u>											
Call deposits < 90 days		–	22,490	336	21,344	13,428	13,428	7,695	–	–	–
Other current investments > 90 days		–	–		–	–	–	–	–	–	–
Total Call investment deposits	2	–	22,490	336	21,344	13,428	13,428	7,695	–	–	–
<u>Consumer debtors</u>											
Consumer debtors		110,872	132,563	23,648	182,209	176,976	176,976	182,955	176,976	187,949	199,038
<u>Less: Provision for debt impairment</u>		(97,133)	(114,064)		(87,648)	(87,648)	(87,648)	(93,433)	(93,433)	(99,226)	(105,080)
Total Consumer debtors	2	13,739	18,499	23,648	94,561	89,328	89,328	89,522	83,543	88,723	93,957
<u>Debt impairment provision</u>											
Balance at the beginning of the year		(77,612)	(97,738)		(71,712)	(71,712)	(71,712)	(71,712)	(77,163)	(81,947)	(86,781)
Contributions to the provision		(19,522)	(16,326)		(15,936)	(15,936)	(15,936)	(15,936)	(17,147)	(18,210)	(19,285)
Bad debts written off		–	–	–	–	–	–	–	–	–	–
Balance at end of year		(97,133)	(114,064)	–	(87,648)	(87,648)	(87,648)	(87,648)	(94,310)	(100,157)	(106,066)
<u>Property, plant and equipment (PPE)</u>											
PPE at cost/valuation (excl. finance leases)		1,369,749	1,276,428	1,232,071	1,181,524	1,255,369	1,255,369	1,371,888	1,368,063	1,453,306	1,543,879
Leases recognised as PPE	3	–	–	–	–	–	–	–	–	–	–
<u>Less: Accumulated depreciation</u>		72,419	71,886	–	–	–	–	35,973	37,771	39,282	40,461
Total Property, plant and equipment (PPE)	2	1,297,330	1,204,542	1,232,071	1,181,524	1,255,369	1,255,369	1,335,915	1,330,291	1,414,023	1,503,418
LIABILITIES											
<u>Current liabilities - Borrowing</u>											

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Short term loans (other than bank overdraft)		1,291	1,161	474	1,161	788	788	743	–	–	–
Current portion of long-term liabilities		–	–	–	–	–	–	–	–	–	–
Total Current liabilities - Borrowing		1,291	1,161	474	1,161	788	788	743	–	–	–
Trade and other payables											
Trade and other creditors		18,050	110,742	149,928	63,586	72,919	72,919	92,924	56,636	86,290	96,653
Unspent conditional transfers		38,833	4,927	333	–	–	–	5,306	–	–	–
VAT		3,548	–	–	–	–	–	–	–	–	–
Total Trade and other payables	2	60,431	115,670	150,262	63,586	72,919	72,919	98,230	56,636	86,290	96,653
Non current liabilities - Borrowing											
Borrowing	4	4,177	1,869	1,336	708	384	384	988	875	–	–
Finance leases (including PPP asset element)		–	–	–	–	–	–	–	–	–	–
Total Non current liabilities - Borrowing		4,177	1,869	1,336	708	384	384	988	875	–	–
Provisions - non-current											
Retirement benefits		16,705	–	–	–	–	–	20,131	21,661	23,004	24,361
List other major provision items											
Refuse landfill site rehabilitation		9,697			30,439	11,850	11,850	11,850	12,751	13,541	14,340
Other		–	29,142	31,981	–	–	–	–	–	–	–
Total Provisions - non-current		26,402	29,142	31,981	30,439	11,850	11,850	31,981	34,412	36,546	38,702
CHANGES IN NET ASSETS											
Accumulated Surplus/(Deficit)											
Accumulated Surplus/(Deficit) - opening balance		1,320,945	1,229,663	1,228,559	1,307,382	1,215,741	1,215,741	1,256,284	1,445,398	1,538,564	1,625,622
GRAP adjustments		–	–	–	–	–	–	–	–	–	–
Restated balance		1,320,945	1,229,663	1,228,559	1,307,382	1,215,741	1,215,741	1,256,284	1,445,398	1,538,564	1,625,622
Surplus/(Deficit)		12,671	(1,105)	(13,387)	20,829	194,100	194,100	177,245	(6,297)	(17,036)	(7,038)
Appropriations to Reserves		–	–	–	–	–	–	–	–	–	–
Transfers from Reserves		–	–	–	–	–	–	–	–	–	–
Depreciation offsets		–	–	–	–	–	–	–	–	–	–
Other adjustments		–	–	–	–	–	–	–	–	–	–
Accumulated Surplus/(Deficit)	1	1,333,616	1,228,559	1,215,172	1,328,211	1,409,841	1,409,841	1,433,529	1,439,101	1,521,528	1,618,584
Reserves	-										

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Housing Development Fund		-	-	-	-	-	-	-	-	-	-
Capital replacement		-	-	-	-	-	-	-	-	-	-
Self-insurance		-	-	-	-	-	-	-	-	-	-
Other reserves		-	-	-	-	-	-	-	-	-	-
Revaluation		-	-	-	-	-	-	-	-	-	-
Total Reserves	2	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	1,333,616	1,228,559	1,215,172	1,328,211	1,409,841	1,409,841	1,433,529	1,439,101	1,521,528	1,618,584

2.14 Legislation Compliance Status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

➤ **In year reporting**

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and the quality of financial reports to both National and Provincial Treasury.

➤ **Internship programme**

Mkhondo Local Municipality is participating in the Municipal Financial Management Internship programme and has employed ten interns undergoing training in various divisions of the Financial Services Department. Since the introduction of the Internship programme the municipality has successfully employed and trained 30 interns in the past few years through this programme. Some of the previous FM interns have since been appointed they have progressively achieved promotions with mostly in the Accountant positions within financial services.

Financial Management Grant (FMG) has been a successful capacity building programme wherein ten interns were appointed and undergone a minimum competency programme within the Office of the Chief Financial Officer. An additional group of interns will be appointed as most internship contract are due to be completed by October 2016, therefore additional round of FM interns will be appointed towards this capacity programme that is aimed at skilling finance staff in financial management.

➤ **Budget & Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA, with all the senior manager fully appointed and their staff personnel fully placed, together with the assistance of 10 FM interns rotating within the Revenue, Expenditure, Supply Chain Management (SCM), Budget and ICT.

➤ **Audit Committee**

An Audit Committee members are fully qualified and functional with scheduled sittings through office of the MM and the Internal Audit Unit. The audit committee report is discussed and recommendation effectively implemented by management of the municipality.

➤ **Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements and, it has been submitted timeously within reporting timelines to National, Provincial treasury and other relevant stakeholders.

➤ **Policies**

A list of all budget related policies will be approved during the 2016/17 MTREF by Council by the 31 May 2016, a list of all approved policies have been included as annexure.

2.15 Municipal Manager's Quality Certificate

I _____, Municipal Manager of Mkhondo Local Municipality, hereby certify that the 2016/17 Final Annual Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the 2016/17 Final Annual Budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal Manager of Mkhondo Local Municipality (MP303)

Signature _____

Date _____